

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

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TO SECSTATE WASHDC 171

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EO 11652 NA

TAGS: ENRG, EINV VE

SUBJ: MIR LEADER ATTEMPTS TO TIE COMPENSATION TO

FRAUD SUIT AGAINST PETROLEUM COMPANIES

REF: CARACAS 8681

1. THE SPANISH WIRE SERVICE, EFE, SENT OUT AN ITEM SEP 9 REPORTING A MIR PARTY DEPUTY, MOISES MOLEIRO, AS SAYING THAT VENEZUELA CANNOT ESTABLISH THE AMOUNT OF INDEMNIFICATION TO BE PAID THE FORMER CONCESSIONAIRES UNTIL A VERDICT IS REACHED IN THE LAWSUIT PENDING AGAINST THE OIL COMPANIES FOR CONCEALED LIABILITIES ESTIMATED AT FIVE BILLION BOLIVARS (REPORTED IN REFTEL). MOLEIRO WAS DESCRIBED AS SPEAKING FOR THE "COMMISSION AGAINST ADMINISTRATIVE CORRUPTION". IN FACT, MOLEIRO IS THE ALTERNATE TO THE ONE REGULAR MIR PARTY REPRESENTATIVE IN THE CHAMBER OF DEPUTIES, AND THE COMMISSION, IS NOT A PERMANENT ONE.

2. UNDER ARTICLE 12 OF THE OIL NATIONALIZATION LAW, THE NATIONAL EXECUTIVE MUST SUBMIT THE WRITTEN COMPENSATION AGREEMENTS TO A JOINT SESSION OF CONGRESS FOR "CONSIDERA-
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TION AND APPROVAL". CONGRESS HAS THIRTY DAYS TO CONSIDER

THE COMPENSATION AGREEMENTS (THERE IS NO REQUIREMENT THAT TECHNICAL ASSISTANCE AND OIL SALES AGREEMENTS BE SUBMITTED FOR CONGRESSIONAL APPROVAL).

3. COMMENT: THEORETICALLY, IF MIR HAD A MAJORITY POSITION IN THE CONGRESS, MOLEIRO COULD UTILIZE ARTICLE 12 TO ENFORCE HIS ARGUMENT AGAINST PAYING COMPENSATION UNTIL THE FRAUD SUIT IS RESOLVED. HOWEVER, AD WILL PRESUMABLY EXERCISE ITS MAJORITY TO PREVENT THE COMPENSATION AGREEMENTS FROM BECOMING THE SUBJECT OF A MAJOR AND PROLONGED POLITICAL CONTROVERSY. THE AGREEMENTS SUBMITTED FOR CONGRESSIONAL APPROVAL WILL INCLUDE WHATEVER AMOUNT THE GOV DECIDES SHOULD BE DEDUCTED FOR DRAINAGE (PER ARTICLE 15), AND THIS WILL FORM THE BASIS FOR REFUTING MIR ARGUMENTS THAT THE OIL COMPANIES HAVE DEFRAUDED THE GOV. IN THE MEANTIME, THE FRAUD CASE IS IN THE HANDS OF A JUDGE WHO IS ATTEMPTING TO VERIFY WHETHER A TECHNICAL CASE CAN BE MADE FOR THE SUIT, OR WHETHER IT SHOULD BE DISMISSED.
SHLAUDEMAN

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